

## Message Text

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SUBJ: BARKAI REPORT ON CIVIL SERVICE SALARIES PROVOKES THREAT OF  
LABOR PROTESTS

SUMMARY: A RECENTLY RELEASED STUDY ON PAY FOR CIVIL SERVANTS CALLS  
FOR ELIMINATION OF SPECIAL ALLOWANCES WHICH HAD BEEN USED TO  
GIVE EFFECT OF PAY INCREASES. CIVIL SERVICE UNIONS AND HISTADRUT  
LEADERS HAVE REACTED UNFAVORABLY AND IT APPEARS THAT THE REPORT  
MAY BE SLIGHTLY MODIFIED. END SUMMARY.

1. AGAINST A BACKGROUND OF MOUNTING LABOR CONCERN OVER POSSIBLE  
UNEMPLOYMENT IN THE PRIVATE SECTOR--SO FAR GREATLY EXAGGERATED--  
AND INCREASINGLY MILITANT DEMANDS BY PUBLIC SERVICE EMPLOYEES  
FOR SALARY INCREASES AND REFORMS OF THE GOVERNMENT PAY SYSTEM IN  
FACE OF TIGHT BUDGET CEILINGS, A COMMISSION ON CIVIL SERVICE PAY  
HEADED BY PROFESSOR HAIM BARKAI ISSUED ITS LONG AWAITED  
RECOMMENDATIONS FOR A NEW 1976/77 WAGE CONTRACT ON MARCH 5.

2. THE PRINCIPAL BARKAI RECOMMENDATIONS ARE: A) INVALIDATION OF  
ARTICLE 27 OF THE 1972-76 COLLECTIVE AGREEMENT FOR CIVIL SERVANTS  
WHICH PERMITTED CIVIL SERVICE UNIONS TO REQUEST WAGE ADMUSTMENTS  
IN THE FORM OF SPECAIL ALLOWANCES RELATED TO "SPECIFIC  
CONDITIONS OF EMPLOYMENT UNIQUE TO CERTAIN PUBLIC SERVICE JOBS".  
GRANTING SUCH ALLOWANCES TO NEARLY 20,000 OUT OF 50,000 EMPLOYEES  
COVERED BY CONTRACT HAD BEEN A GRAVE ABUSE. THOSE ALLOWANCES  
ARE NOW TO BE DENIED. CURRENT ALLOWANCES RANGING FROM 3.4 TO  
15.5 PER CENT OF SALARIES (TAX EXEMPT) ARE TO BE ABOLISHED;

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B) EACH MINISTRY IS TO SET ASIDE TWO PER CENT OF SALARY FUNDS FOR

SPECIAL INCENTIVE BONUSES TO BE GRANTED TO OUTSTANDING EMPLOYEES;  
C) PERSONS WITH SPECIAL SKILLS OR PROFESSIONS WHO CAN COMMAND  
SUBSTANTIALLY HIGHER SALARIES THAN CURRENT CIVIL SERVICE RATES  
SHOULD BE OFFERED SPECIAL RATES FOR LIMITED TIME APPOINTMENTS  
OUTSIDE THE REGULAR CIVIL SERVICE; D) GENERAL WAGE INCREASES FOR  
PUBLIC SERVICE EMPLOYEES ARE TO BE LIMITED FOR THE COMING YEAR TO  
THE ALREADY AGREED UPON SEMI-ANNUAL COST OF LIVING ADJUSTMENTS  
COVERING 70 PER CENT OF COL INCREASE; E) PROFESSIONAL CIVIL  
SERVICE SALARY SCALES SHOULD BE REVIEWED FOR POSSIBLE REFORMS AND  
SPECIAL SALARY CATEGORIES FOR SENIOR CIVIL SERVANTS SHOULD BE  
CREATED.

3. HOSTILE REACTION TO THE RECOMMENDATIONS BY THE CIVIL SERVICE  
UNIONS AND THE HISTADRUT CAME AS NO SURPRISE, ALTHOUGH BOTH LABOR  
AND GOVERNMENT HAD AGREED IN ADVANCE TO ACCEPT COMMISSION REPORT  
AS BINDING. THIS PRIOR COMMITMENT HAD BEEN MADE IN THE HOPE OF  
ENDING THE MOUNTING CLAMOR BY THE MORE MILITANT SECTOR OF CIVIL  
SERVICE UNIONS TO EXTEND THE SPECIAL ALLOWANCES AWARDS TO GROUPS  
WHICH HAD NOT YET RECEIVED THEM AS MEANS OF PUSHING FOR SUPPLEMENTARY  
WAGE INCREASES DURING PERIOD OF WAGE FREEZE.

4. CIVIL SERVICE UNION LEADERS ACKNOWLEDGED TO LABOR ATTACHE THAT  
SERIOUS GOI FISCAL PROBLEMS LIMIT THE POSSIBILITY OF SUBSTANTIAL  
PAY CONCESSIONS TO A POTENTIAL 300,000 EMPLOYEES IN GOVERNMENT,  
MUNICIPAL, EDUCATIONAL, HEALTH AND WELFARE SERVICES. HOWEVER,  
THEY CLAIM THAT THE COMMISSION HAD NOT BEEN AUTHORIZED TO  
DECIDE THAT GOI SHOULD LIMIT WAGE INCREASES TO COST OF LIVING  
ADJUSTMENTS, AN ISSUE WHICH THEY WANTED DECIDED BY COLLECTIVE  
BARGAINING. WORSE IN THEIR EYES, THE REPORT IGNORED ECONOMIC AND  
ADMINISTRATIVE REQUIREMENTS OF THE CIVIL SERVICE BY AVOIDING  
DEALING WITH CIVIL SERVICES PAY REFORMS FOR PROFESSIONAL AND  
MANAGERIAL EMPLOYEES AS DEMANDED BY THE UNIONS. THEY ALSO ACCUSED  
THAT HISTADRUT LEADERSHIP OF HAVING FAILED TO INSIST ON CLEARLY  
DEFINING THE AREAS OF THE COMMISSION'S COMPETENCE IN RETURN FOR  
THE ADVANCE ACCEPTANCE OF ITS FINDINGS.

5. ON MARCH 7 THE CABINET REVIEWED AND ACCEPTED THE BARKAI  
RECOMMENDATIONS WHILE THE CIVIL SERVICE UNION AND HISTADRUT  
LEADERS MET TO DISCUSS STRATEGY FOR CALMING THE AROUSED CIVIL  
SERVANTS ON THE ONE HAND AND MODIFYING THE COMMISSION'S  
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RECOMMENDATIONS ON THE OTHER. ALTHOUGH SOME CIVIL SERVICE GROUPS  
WHICH HAD NOT BEEN BENEFICIARIES OF THE SPECIAL ALLOWANCES APPEALED  
FOR  
ACCEPTANCE OF THE REPORT, MOST UNION LEADERS OBJECTED. WORKS  
COUNCILS OF SEVERAL MAJOR GOVERNMENT DEPARTMENTS ANNOUNCED  
THEIR INTENTIONS TO START WORK TO RULE PROTESTS OF INITIALLY LIMITED  
DURATION ON MARCH 21 AND GRADUALLY TO ESCALATE THEM IF THE  
GOVERNMENT FAILS TO OFFER CONCESSIONS.

6. HISTADRUT LEADERS, FINANCE MINISTER RABINOWITZ AND PRIME MINISTER RABIN ARE TO MEET THIS WEEKEND TO DISCUSS THE PROBLEM AND ACCORDING TO CIVIL SERVICE LEADERS THE SUBJECT MAY BE BROUGHT BEFORE THE NEW LABOR PARTY LEADERSHIP FORUM. UNION LEADERS CLAIM THAT THEY ARE UNABLE TO IMPOSE THE COMMISSION RECOMMENDATION ON THEIR RANK AND FILE MEMBERSHIP.

7. AN EVENTUAL COMPROMISE MAY BE REACHED AROUND THE END OF MARCH, ALTHOUGH PROBABLY NOT WITHOUT SOME TEMPORARY DISRUPTION OF KEY PUBLIC SERVICES. AMONG THE COMPROMISE SOLUTIONS NOW BEING PROPOSED ARE: A) A SMALL GENERAL WAGE INCREASE OF AROUND 3-4 PER CENT AS PROPOSED IN MINORITY REPORT APPENDED TO BARKAI RECOMMENDATION

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OR B) AN EXTENSION OF THE HOURS WORKED BY CIVIL SERVANTS FROM 40 45 (THUS INCREASING TAKE HOME PAY) PLUS FREEZING OF HIRING AND ACCELERATED RETIREMENT OF OLDER EMPLOYEES IN ORDER TO HELP KEEP PUBLIC PAYROLL WITHIN LIMITS OF BUDGET PROVISIONS.  
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## Message Attributes

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